

FOR ACTION

I. REQUEST

Approve an Extension to Resolution No. 136, Which Provides for Official Intent with Respect to the Issuance of Hula Mae Multi-Family Tax-Exempt Revenue Bonds for the Kaiaulu O Kapiolani Project Located in Hilo, Hawaii, TMK Nos.: (3) 2-4-025: 048, 053, and 080

II. FACTS

Project Information:

<i>Project Name:</i>	Kaiaulu O Kapiolani		
<i>Applicant:</i>	A0705 Hilo, L.P.		
<i>TMK and Location:</i>	TMK Nos.: (3) 2-4-025: 048, 053, and 080 Kapiolani Street & Kukuau Street Hilo, HI 96720		
<i>Land Tenure:</i>	Fee Simple		
<i>Project Type:</i>	New Building		
<i>Target Population:</i>	Family		
<i>Length of Affordability:</i>	65 Years		
<i>Affordability Restrictions:</i>	7 units @ 30% AMGI 7 units @ 40% AMGI 13 units @ 50% AMGI 36 units @ 60% AMGI 1 Manager's unit <hr/> 64 Total Units		
<i>Projected Unit and Rent Mix:</i>	<i>Units</i>	<i>Unit Type</i>	<i>Rent / Mo.<sup>1</sup></i>
	11	2-Bedroom Unit	\$1,106 <sup>2</sup>
	21	2-Bedroom Unit	\$710
	12	3-Bedroom Unit	\$1,388 <sup>2</sup>
	11	3-Bedroom Unit	\$806
	2	4-Bedroom Unit	\$,1510 <sup>2</sup>
	6	4-Bedroom Unit	\$886
	1	3-Bedroom Manager's Unit	N/A
<sup>1</sup> Net of utility allowance. <sup>2</sup> Includes Section 8 Rent Subsidy; under the Section 8 program, tenant out-of-pocket rent is 30% of income.			
<i>Estimated Completion:</i>	First Building – May 2022 Project Completion (Last Building) – August 2022		
<i>Type of Construction:</i>	Eight (8) 2-story buildings with metal or wood frame on slab on grade foundation and one (1) community building which includes a laundry facility. HardiePanel and HardiePlank siding and fiberglass solar reflective shingle roofing.		
<i>Amenities and Services:</i>	Project amenities: playground, picnic area, community room, and laundry room. Unit amenities: range, refrigerator, disposal, and dishwasher.		

<i>Floor Area:</i>	61,720 sq. ft. Residential Area <u>2,500 sq. ft. Common Area</u> 64,220 sq. ft. Total
<i>Developer:</i>	A0705 Hilo, L.P. Contact – Douglas Bigley 2000 E. Fourth Street, Suite 220 Santa Ana, CA 92705 (323) 351-7700
<i>Contractor:</i>	Moss & Associates, LLC Contact – Doug Rogers 737 Bishop Street, Suite 2750 Honolulu, HI 96813 (808) 792-3765
<i>Property Manager:</i>	ThirtyOne 50 Management, LLC Contact – Kyle Beach 555 Kaiwahine Street Kihei, HI 96753 (808) 466-0554

ORIGINAL APPROVAL DATE: December 12, 2019  
EXPIRATION DATE: December 31, 2020  
REQUEST FOR EXTENSION: June 30, 2021

- A. On December 12, 2019, the Hawaii Housing Finance and Development Corporation (HHFDC) Board of Directors approved the following for the benefit of Kaiaulu O Kapiolani (Project):
1. \$17,832,960 intended tax-exempt issuance from the Hula Mae Multi-Family (HMMF) Bond Program (Resolution No. 136);
  2. \$1,307,553 in annual Federal Low Income Housing Tax Credits (LIHTC) over a ten-year period and \$1,307,553 in annual State LIHTC over a five-year period from the non-volume cap pool (4% LIHTC); and
  3. A Rental Housing Revolving Fund (RHRF) Loan of up to \$12,800,000. (NOTE: RHRF was formerly known as the Rental Housing Trust Fund pursuant to Act 237, SLH 2015, effective July 14, 2015.)
- B. On February 26, 2020, the Governor provided preliminary approval to issue approximately \$17,832,960 in revenue bonds for the Project.
- C. On October 22, 2020, A0705 Hilo, L.P. (Awardee) requested to extend Resolution No. 136 (Exhibit B).

**III. DISCUSSION**

- A. The Project is a proposed 64-unit (includes 1-manager’s unit) affordable rental housing facility targeted for families. Improvements shall consist of eight (8) 2-story residential buildings and one (1) community building which includes a laundry facility. Each residential building shall house 8 units.
- B. The Applicant is a single-asset, real estate holding company, specifically established to develop, own, and operate the Project. The General Partners of the Applicant are FP Holdings LLC and NP Holdings LLC. The sole member of FP Holdings is UHC H4 LLC and the sole member of NP Holdings LLC is Ikaika Ohana, a 501(c)(3) corporation.

1. The managers of UHC H4 LLC and Ikaika Ohana are Doug Bigley, David Bigley, and John Bigley. The Bigleys are experienced affordable housing developers with a concentration in California. Their most recent projects in Hawaii are the rehabilitation of Kamana Elderly and Riverside Apartments and the new construction of Hale Makana O Nanakuli and Kaiwahine Village Phases I and II. Two (2) additional projects, Villages at La'i'opua and Kaiaulu O Kupohi, are currently under construction and one (1) additional project, Kaiaulu O Waikoloa, is preparing for the financial closing and start of construction.

C. The proposed Financing Structure is as follows:

Source	Interim	Permanent
Sponsor Equity	\$ 0	\$ 0
LIHTC Equity	959,000	16,212,455
HMMF Bond*	16,678,000	3,060,000
RHRF Loan	12,700,000	12,800,000
Deferred Developer Fee	2,400,000	951,545
Other Deferred Costs	287,000	0
Total	\$ 33,024,000	\$ 33,024,000

\* Applicant requesting an authorized issuance amount of up to \$17,832,960, compared to project usage of \$16,678,000. The \$1,154,960 excess represents a cushion against budget increases with respect to the 50% Test requirement. To maximize 4% LIHTC eligible basis, tax-exempt proceeds must cover at least 50% of land and depreciable assets.

D. The proposed Project Budget and Use of Funds is as follows:

Budget/Cost Item	Amount	Per Square Foot	%
Land Acquisition	\$ 1,600,000	\$ 24.91	4.84
Construction – Sitework	3,575,974	55.68	10.83
Construction – Vertical	14,400,000	224.23	43.60
Construction – Contractor Profit	2,516,636	39.19	7.63
Interim & Soft Costs	3,653,771	56.90	11.06
Financing & Syndication Costs	2,714,000	42.26	8.22
Developer’s Fee	2,400,000	37.37	7.27
Developer’s Overhead	0	0.00	0.00
Project Reserves	287,000	4.	.87
Contingency	1,876,619	29.22	5.68
Total	\$ 33,024,000	\$ 514.23	100.00

E. The Project's estimated construction timeline is as follows:

1. Building Permits – April 2021
2. Construction Start Date – May 2021
3. First Building Completion – May 2022
4. Project Completion (Last Building) – August 2022

F. HHFDC evaluated the extension request based on progress made on three (3) basic milestones of site control, zoning approvals, and securing financing commitments.

**Site Control:** Awardee has site control through a purchase agreement.

**Zoning Approvals:** The Awardee is working with the County of Hawaii on a request to extend the project completion deadline associated with the zoning designation. (The proposed project conforms to the existing zoning.) The draft State Environmental Assessment is under review by the County of Hawaii and the Awardee anticipates that a Finding of No Significant Impact (FONSI) will be published in the next 4 months. The Awardee continues to work on obtaining the final approval from the Disability and Communication Access Board (DCAB) and approval of the building permits.

**Financing Commitments:** The Awardee continues to work with Hunt Capital Partners on the sale of tax-exempt bonds and syndication of Federal and State LIHTC.

G. The Inducement Resolution is required under Section 1.150-2 of the Treasury Regulations before the project's sponsor acquires or commences construction of the development.

Inducement Resolution No. 136 does not authorize the sale of tax-exempt bonds for the Project. Section 147(f) of the Internal Revenue code requires that all private activity bond obligations be approved by the "applicable elected representative of the affected governmental units" after a public hearing. Thus, staff will present a subsequent resolution to the Board requesting for approval for the actual issuance, sale, and delivery of the bonds, if it is deemed feasible.

Furthermore, the bond issuance is subject to (i) availability of volume cap and (ii) approval by the Department of Budget and Finance and the Governor.


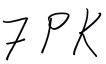
H. Staff recommends an extension to June 30, 2021 to coincide with the Project's RHRF Letter of Interest expiration.

**IV. RECOMMENDATION**

That the HHFDC Board of Directors approve the following:

- A. Extend the deadline to issue HMMF Bonds for the Kaiaulu O Kapiolani Project to June 30, 2021; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the purposes of this For Action.

Attachments:           Exhibit A – Resolution No. 136  
                              Exhibit B – Request for Extension dated October 22, 2020  
                              Exhibit C – Project Location Map and Pictures

Prepared by:	Jocelyn Iwamasa, Finance Specialist	 _____
Reviewed by:	for Darren K. Ueki, Finance Manager	 _____

**RESOLUTION NO. 136**

**RESOLUTION SETTING FORTH THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION'S OFFICIAL INTENT TO ISSUE MULTIFAMILY HOUSING REVENUE BONDS TO UNDERTAKE THE FINANCING OF THE KAIAPULU O KAPIOLANI PROJECT**

**WHEREAS**, Part III of Chapter 39 and Part III of Chapter 201H, Hawaii Revised Statutes, as amended (collectively, the "Act"), authorize the Hawaii Housing Finance and Development Corporation (the "Corporation") to issue bonds to provide moneys to make mortgage loans to assist in developing, constructing, and providing housing for persons of low and moderate income;

**WHEREAS**, A0705 Hilo, L.P. (the "Borrower"), has requested that the Corporation issue and sell multi-family housing revenue bonds (the "Bonds") pursuant to the Act for the purpose of financing the development and construction of a multifamily residential development commonly known as Kaiapulu O Kapiolani located on approximately 5.05 acres in Hawaii County (the "Project");

**WHEREAS**, the Corporation, in the course of assisting the Borrower in financing the Project, expects that the Borrower has paid or may pay certain expenditures (the "Reimbursement Expenditures") in connection with the Project within 60 days prior to the adoption of this Resolution and prior to the issuance of Bonds for the purpose of financing costs associated with the Project on a long-term basis;

**WHEREAS**, §1.150-2 of the United States Treasury Regulations (the "Regulations") requires the Corporation to declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of a subsequent borrowing;

**WHEREAS**, the Corporation wishes to declare its intention to authorize the issuance of Bonds for the purpose of financing costs of the Project (including reimbursement of the Reimbursement Expenditures), when so requested by the Borrower upon such terms and conditions as may then be agreed upon by the Corporation, the Borrower and the purchaser of Bonds in an aggregate principal amount not to exceed seventeen million eight hundred thirty-two thousand nine hundred sixty dollars (\$17,832,960);

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Hawaii Housing Finance and Development Corporation, as follows:


Section 1. The Board of Directors finds and determines that the foregoing recitals are true and correct.


Section 2. This resolution is made solely for purposes of establishing compliance with the requirements of §1.150-2 of the Regulations. This resolution does not bind the Corporation to make any expenditure, to issue Bonds or otherwise to incur any debt or to proceed with the Project.

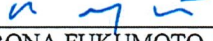
Section 3. The Corporation hereby declares its official intent to issue Bonds for the purpose of financing costs of the Project by lending the proceeds to the Borrower, which may use the proceeds of Bonds, if and when issued, to reimburse the Reimbursement Expenditures and pay other costs of the Project.

Section 4. This resolution shall take immediate effect from and after its adoption.

The Undersigned hereby certify that the foregoing Resolution was duly adopted by the Directors of the Hawaii Housing Finance and Development Corporation on December 12, 2019.

  
LEILANI PULMANO, Chair

  
DONN MENDE, Vice Chair

  
RONA FUKUMOTO, Secretary

MELVIN KAHELE, Director

  
GEORGE ATTA, Director

  
GARY MACKLER, Director

NEAL MIYAHIRA, Director

 MR 5-75(1)  
MIKE MCCARTNEY, Director

  
SARA LIN, Director



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October 22, 2020

Darren K. Ueki  
Finance Director  
Hawaii Housing Finance and Development Corporation  
677 Queen St. Suite 300  
Honolulu, HI 96813

Re: A0705 Hilo L.P. - Kaiaulu O Kapiolani  
HMMF Deadline Extension Request

Dear Mr. Ueki:

The Kaiaulu O Kapiolani project received an allocation of Hula Mae Multi-Family Bonds (HMMF) in the amount of \$17,832,960. The HMMF letter of intent requires the Bonds to be closed no later than December 12, 2020. Our project is moving toward the start of construction and we are now asking the Hawaii Housing Finance and Development Corporation (HHFDC) to please consider our request to extend of HMMF deadline to September 12, 2021.

**Overall Status of Project:**

Kaiaulu O Kapiolani remains a viable project and has a path to completion. The anticipated start of construction was delayed in part by the award of tax credits, HMMF bonds, and RHRF by HHFDC in December 2019, as well as complications encountered due to Covid-19 related delays. To address the delays, we are seeking extensions of previously obtained approvals and commitments from our project partners.

Our option to purchase the property from the seller has been extended and the seller remains supportive of the project. Our environmental assessment has been prepared along with an anticipated finding of no significant impact, and the County of Hawaii is currently reviewing our draft environmental assessment in anticipation of publication. Our team is preparing the construction drawings for the site in anticipation of submitting for County drainage, planning, and building permit approval. We are also preparing the submissions to DCAB and SHPD and anticipate approvals without significant comments.

**Status of Entitlements:**

The project is currently zoned as needed for construction, and the project will be able to obtain water, sewer, and electrical service. A request for an extension to the project completion deadline has been submitted to the County. The county is aware of the request and approval is anticipated within 3 months.

**EXHIBIT B**



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**Status of the Financing Commitments:**

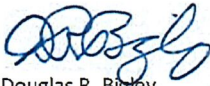
All of the financing commitments from the LIHTC and RHRF applications remain in place. The project will provide an updated budget to HHFDC prior to the closing of the HMMF bonds and the RHRF loan. We expect to close the HMMF bonds, the RHRF loan, and all of the other financing commitments no later than June 30, 2021.

**Estimated Construction Timeline:**

1. Building permits – April 2021
2. Construction Start Date – May 2021
3. First Building Completion – May 2022
4. Project Completion (Last Building) – August 2022

If you have any questions or need any additional information, please contact James Rock at 714-835-3955 x 108 or [jrock@uhcllc.net](mailto:jrock@uhcllc.net), at your earliest convenience. We appreciate your continued support and look forward to completing this project together.

With Kindest Regards,



Douglas R. Bigley  
Director and President

PROJECT MAP & PICTURES:

Kaiaulu O Kapiolani  
Kapiolani St. & Kukuau Street  
Hilo, HI 96720  
TMK Nos.: (3) 2-4-025: 048, 053, and 080



Proposed Project Site – Kapiolani St and Kukuau St, Hilo, HI



Kaiaulu O Kapiolani





EXHIBIT C